

**NAN LIU Enterprise Co., Ltd. and Subsidiaries
Parent Company Only Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

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The reader is advised that these Parent Company Only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Parent Company Only Financial Statements for the
Years Ended December 31, 2018 and 2017
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Nanliu Enterprise Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

Valuation of accounts receivable

Please refer to Notes 4(6) and 6(3) to the parent company only financial statements for detail information and accounting policy of valuation of accounts receivable. As of December 31, 2018, net accounts and notes receivable of the Company amounted to NT\$ 560,405 thousand dollars, accounted for 7.52% of total assets, has significant impact to financial statements of the Company, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we have identified valuation of accounts receivable as a key audit matter.



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Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Company's credit policy. We inspected how the Company processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. For the preparation matrix provided by the company, evaluate whether the expected loss rate is reasonable.
6. According to accounts receivable statement, accounts receivable aging and overdue accounts receivable statement provided by the client, whether the credit period of the accounts receivable customer is consistent with the system login. Perform relevant decimation calculations to confirm that the aging and overdue vesting periods are correct.

Valuation of inventories

Please refer to Notes 4(7), 5 and 6(4) to the parent company only financial statements for the detail information and accounting policy, uncertainty of valuation of inventories; As of December 31, 2018, inventories of the Company amounted to NT\$359,166 thousand dollars, accounted for 4.82% of total assets, has significant impact to financial statements of the Company, in addition, the principal operating activities of the Company include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.

Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Understood inventory valuation process by the management.
2. Understood the Company's warehousing management process, reviewed the Company's annual physical inventory count plan and observed the annual inventory count to assess the reasonableness of methods used by the management to identify and monitor obsolescent inventories.
3. Randomly checked the inventory movement report for consumption of inventories and compared inventory aging report to that of prior year for reasonableness and accuracy of inventory aging report.
4. Conducted analytical review process for inventory balances, turnover and gross margin by products, compared differences to prior year for any unusual variance.
5. Compared historical inventory provision and actual write-down to analyze the appropriateness of the accounting policies of the management for inventory provision.

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6. Verified the reasonableness of the net realizable value of inventory by randomly vouching sales and purchase orders to evaluate adequacy of inventory provision.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

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concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Tung Wang and Hsiang-Ning Hu.

YANGTZE CPAS & Co.,
March 06, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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NANLIU ENTERPRISE CO., LTD
Parent Company Only Balance Sheets
December 31,2018 and December 31,2017
(All amounts expressed In Thousands of New Taiwan Dollars)

ASSETS		December 31,2018		December 31,2017		LIABILITIES AND EQUITY		December 31,2018		December 31,2017			
		Amount	%	Amount	%			Amount	%	Amount	%		
CURRENT ASSETS						CURRENT LIABILITIES							
1100	Cash and cash equivalents	4、6(1)	\$ 164,717	2.21	\$ 277,548	4.91	2100	Short-term loans	4、6(7)	\$ 1,070,000	14.36	\$ 706,435	12.49
1150	Notes receivable, net	4、6(2)	46,650	0.63	54,446	0.96	2110	Short-term bills payable, net	6(8)	-	-	399,858	7.07
1170	Accounts receivable, net	4、6(3)、7	513,755	6.89	355,353	6.28	2130	Contract liabilities-current	4、6(12)	978	0.01	-	-
1200	Other receivables		16,001	0.21	29,375	0.52	2150	Notes payable	4	104,717	1.41	105,919	1.87
1310	Inventories	4、6(4)	359,166	4.82	306,013	5.41	2170	Accounts payable	4、7	369,713	4.96	311,256	5.50
1410	Prepayments		175,898	2.36	122,908	2.17	2200	Other payable		82,956	1.11	66,861	1.18
1470	Other current assets		23,709	0.32	114	0.00	2213	Payables on equipment		18,253	0.24	74,821	1.32
	Total current assets		1,299,896	17.44	1,145,757	20.25	2230	Current tax liabilities	4	43,996	0.59	20,632	0.36
							2311	Unearned receipts		-	-	1,724	0.03
							2322	Current portion of long-term bank borrowing	4、6(9)	126,000	1.69	-	-
							2399	Other current liabilities		2,945	0.04	2,303	0.04
								Total current liabilities		1,819,558	24.41	1,689,809	29.86
NONCURRENT ASSETS						NONCURRENT LIABILITIES							
1550	Investments accounted for using equity method	4、6(5)	3,610,994	48.45	3,120,375	55.15	2540	Long-term bank borrowing	4、6(9)	2,210,825	29.66	1,010,000	17.85
1600	Property, plant and equipment	4、6(6)	1,060,735	14.23	757,474	13.40	2571	Deferred income tax liabilities-Land value increment tax		7,386	0.10	7,386	0.13
1780	Intangible assets	4	-	-	-	-	2572	Deferred income tax liabilities-income tax	4、6(14)	5,433	0.07	1,735	0.03
1840	Deferred income tax assets	4、6(14)	24,319	0.33	19,376	0.34	2620	Long-term accounts note and payable to related parties	7	267,220	3.59	-	-
1915	Prepayments for equipment		1,419,604	19.05	574,475	10.15	2640	Accrued pension liabilities	4、6(10)	76,567	1.03	75,322	1.33
1920	Refundable deposit		11,740	0.16	9,771	0.17		Total noncurrent liabilities		2,567,431	34.45	1,094,443	19.34
1985	Long-term prepaid rents	4	23,340	0.31	28,008	0.50		Total liabilities		4,386,989	58.86	2,784,252	49.20
1990	Other assets		2,364	0.03	2,364	0.04	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
	Total noncurrent assets		6,153,096	82.56	4,511,843	79.75	Owners equity						
							3100	Capital stock	6(11)	726,000	9.74	726,000	12.83
							3200	Capital surplus	6(11)	453,467	6.08	453,467	8.02
							3300	Retained earnings	6(11)				
							3310	Legal reserve		371,872	4.99	317,735	5.62
							3320	Special reserve		193,201	2.59	155,667	2.75
							3350	Unappropriated earnings		1,586,400	21.29	1,413,680	24.99
							3400	Other	6(11)				
							3410	Financial statements translation differences for foreign operations		(264,937)	(3.55)	(193,201)	(3.41)
								Equity attributable to shareholders of the parent		3,066,003	41.14	2,873,348	50.80
1xxx	Total assets		\$ 7,452,992	100.00	\$ 5,657,600	100.00		Total liabilities and equity		\$ 7,452,992	100.00	\$ 5,657,600	100.00

The accompanying notes are an integral part of the standalone financial statements.

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Comprehensive Income

For the Year Ended December 31 ,2018 and 2017

(All Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

				For the year ended December 31			
				2018		2017	
Item	Note	Amount	%	Amount	%		
4000	Net Sales	4、6(12)、7	\$ 3,150,067	100.00	\$ 3,001,485	100.00	
5000	Cost of goods sold	6(4)	(2,721,429)	(86.39)	(2,622,590)	(87.38)	
5900	Gross profit		428,638	13.61	378,895	12.62	
5910	Unrealized gain on sales		(7,229)	(0.23)	(1,273)	(0.04)	
5920	Realized gain on sales		-	-	21,428	0.71	
5950	Net Gross Profit From Operations		421,409	13.38	399,050	13.29	
6000	Operating expenses						
6100	Promotion expenses		(67,488)	(2.14)	(72,698)	(2.42)	
6200	Management expenses		(109,719)	(3.48)	(108,822)	(3.63)	
6300	Research expenses		(20,820)	(0.66)	(20,436)	(0.68)	
6000	Total Operating expenses		(198,027)	(6.28)	(201,956)	(6.73)	
6900	Operating profit		223,382	7.10	197,094	6.56	
	Other non-operating income and expenses						
7020	Other income	6(13)	443,926	14.09	391,360	13.04	
7510	Finance costs	6(13)	(15,586)	(0.49)	(11,098)	(0.37)	
7000	Other non-operating income and expenses		428,340	13.60	380,262	12.67	
7900	Income before income tax		651,722	20.70	577,356	19.23	
7950	Income tax expense	4、6(14)	(58,956)	(1.87)	(35,979)	(1.20)	
8200	Net Income		592,766	18.83	541,377	18.03	
8300	Other comprehensive income (loss)						
8310	Items that will not be reclassified subsequently to profit or loss:						
8311	Remeasurement of defined benefit obligation	6(10)	(2,580)	(0.08)	(4,369)	(0.15)	
8349	Income tax (expense) related to components of the comprehensive income	6(14)	905	0.03	743	0.02	
8360	Items that may be reclassified subsequently to profit or loss:						
8361	Exchange differences arising on translation of foreign operations	6(11)	(71,736)	(2.28)	(37,534)	(1.25)	
8300	Other comprehensive income (loss) for the period ,net of income tax		(73,411)	(2.33)	(41,160)	(1.38)	
8500	Total comprehensive income for the period		\$ 519,355	16.50	\$ 500,217	16.65	
9750	Basic earnings per share(NT dollars)	4、6(16)	\$ 8.16		\$ 7.46		
9850	Diluted earnings per share(NT dollars)	4、6(16)	\$ 8.16		\$ 7.45		

The accompanying notes are an integral part of the standalone financial statements.

NANLIU ENTERPRISE CO., LTD
Parent Company Only Statements of Changes in Equity
For the year ended December 31, 2018 and 2017
(All amounts expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock			Retained Earnings			Other equity items	Non- controlling interests	Total Equity
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations		
Balance as of January 1, 2017	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ -	\$ 2,721,611
Legal reserve appropriated	-	-	-	58,237	-	(58,237)	-	-	-
Special reserve appropriated	-	-	-	-	111,319	(111,319)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(348,480)	-	-	(348,480)
Net income in 2017	-	-	-	-	-	541,377	-	-	541,377
Other comprehensive income for the year	-	-	-	-	-	(3,626)	(37,534)	-	(41,160)
Balance as of December 31, 2017	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,413,680	\$ (193,201)	\$ -	\$ 2,873,348
Balance as of January 1, 2018	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,413,680	\$ (193,201)	\$ -	\$ 2,873,348
Legal reserve appropriated	-	-	-	54,137	-	(54,137)	-	-	-
Special reserve appropriated	-	-	-	-	37,534	(37,534)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(326,700)	-	-	(326,700)
Net income in 2018	-	-	-	-	-	592,766	-	-	592,766
Other comprehensive income for the year	-	-	-	-	-	(1,675)	(71,736)	-	(73,411)
Balance as of December 31, 2018	72,600	\$ 726,000	\$ 453,467	\$ 371,872	\$ 193,201	\$ 1,586,400	\$ (264,937)	\$ -	\$ 3,066,003

The accompanying notes are an integral part of the standalone financial statements.

NANLIU ENTERPRISE CO., LTD
Parent Company Only Statements of Cash Flows
For the Year Ended December 31 ,2018 and 2017
(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2018	2017
Cash flows from operating activities		
Profit before income tax	\$ 651,722	\$ 577,356
Adjustments for :		
Depreciation expense	55,724	58,612
Amortization expense	4,668	5,460
Other expense	-	9
Interest expense	15,586	11,098
Interest income	(1,369)	(1,307)
Provision (Income) for doubtful accounts	(135)	1,562
Share of profit of subsidiaries and associates accounted for using equity method	(414,408)	(379,305)
(Profit) on disposal of assets	(707)	(1,091)
Unrealized gain on sales	7,229	1,273
Realized gain on sales	-	(21,428)
Provision for inventory market price decline	8,750	1,227
Loss on physical inventory	601	2,005
Loss on disposal of inventory	6,280	44
(Reversal) Impairment of Assets	(1,224)	(1,295)
Foreign exchange (gain) loss	(6,016)	300
Total adjustments to reconcile profit or loss	<u>(325,021)</u>	<u>(322,836)</u>
Changes in operating assets and liabilities		
Decrease in notes receivable	7,796	15,954
(Increase) Decrease in accounts receivable	(159,148)	94,815
Decrease in other receivable	13,381	1,726
(Increase) Decrease in inventories	(68,784)	24,006
(Increase) in prepayments	(52,732)	(19,822)
(Increase) Decrease in other current assets	(23,254)	24,782
(Increase) in contract liabilities-current	(746)	-
(Decrease) in notes payable	(6,501)	(55,780)
Increase (Decrease) in accounts payable	59,915	(79,442)
Increase in other payable	14,463	407
(Decrease) in unearned receipts	-	(3,828)
Increase in other current liabilities	522	543
(Decrease) in accrued pension liabilities	(1,335)	(7,138)
Total Changes in Operating Assets and Liabilities	<u>(216,423)</u>	<u>(3,777)</u>
Cash generated from operating	<u>110,278</u>	<u>250,743</u>

(Continued)

	For the year ended December 31	
	2018	2017
Interest received	1,362	1,245
Income taxes paid	(35,932)	(38,206)
Net cash generated by operating activities	75,708	213,782
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(155,016)	(601)
Acquisition of property , plant and equipment	(388,351)	(434,123)
Disposal of property , plant and equipment	4,619	1,010
Acquisition of intangible assets	-	(3)
(Increase) in prepayments for equipment	(870,138)	(434,661)
(Increase) Decrease in Instead of payment	(341)	91
(Increase) in refundable deposits	(1,969)	-
Net cash used in investing activities	(1,411,196)	(868,287)
Cash Flows From Financing Activities :		
Interest paid	(13,812)	(10,914)
Increase in short-term loans	363,565	386,435
(Decrease) Increase in short-term bills payable	(400,000)	220,000
Increase in long-term bank borrowing	1,326,825	519,760
Increase Long-term accounts note and payable to related parties	269,265	-
Cash dividends	(326,700)	(348,480)
Increase in other current liabilities	120	92
Net cash used in financing activities	1,219,263	766,893
Effect of exchange rate changes on cash and cash equivalents	3,394	(1,829)
Net (Decrease) Increase in cash and cash equivalents	(112,831)	110,559
Cash and cash equivalents, beginning of year	277,548	166,989
Cash and cash equivalents, end of year	\$ 164,717	\$ 277,548

The accompanying notes are an integral part of the standalone financial statements. (Concluded)

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Notes to Parent Company Only financial statements
For the year ending on December 31, 2018 and 2017

(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City and moved to No. 699, Silin Rd., Yanchao Dist., Kaohsiung City on January 10, 2019. The Company is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products.

2. The date of authorization for issuance of the parent company only financial statements and procedures for authorization.

The parent company only financial statements were approved and authorized for issue by the board of directors on March 6, 2018.

3. Application of new standards, amendments and interpretations

- (1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2017 (collectively, “IFRSs”).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC for application starting from 2017 would not have a significant effect on the Company’s accounting policies.

1. IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation and its subsidiaries have performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation and its subsidiaries' financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		Description
	IAS39	IFRS9	IAS39	IFRS9	
Financial Assets					
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 277,548	\$ 277,548	(1)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	—	—	(1)
Notes and accounts receivable and other receivables	Loans and receivables	Amortized cost	439,174	439,174	(1)
Refundable deposits and Pledged Financial Assets	Loans and receivables	Amortized cost	9,771	9,771	(1)
Financial Liabilities					
Short-term loans, Notes payable and Accounts payable, Payables on equipment, Other payable, long-term bank borrowings and Current portion of long-term bank borrowings	Amortized cost	Amortized cost	2,675,150	2,675,150	

(1) Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of future 12-month or lifetime expected credit loss under IFRS 9.

2. IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies. The Corporation and its subsidiaries elected to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and elected not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The revenue of contract between the Group and customers major from sales goods and provide services. The Effects of the Group’s revenue recognition under IFRS15 is as follows.

- (1) Detail description of application of Accounting for the Group that is from January 1, 2018 and before January 1, 2018 is as remark 4.
- (2) Before January 1, 2018, recognition as revenue when sales and delivered goods. After January 1, 2018, above revenue follows IFRS15 rules. The group commit that recognition

as goods transfer to customers and satisfy performance obligation. Application of IFRS15 haven't effects of the Group's recognition of sales goods revenue. But for apart of contract, take apart of consideration before transfer goods to customers. The Group has the obligation of transaction goods that is recognition of consideration for advance before January 1, 2018 and be recognition of contract liability after January 1, 2018. The reclassification amount of the Group that from revenue received in advance to contract liability is 1,724 thousand on January 1, 2018. For application of IAS18, decrease revenue received in advance amount 978 thousand and increase contract liability amount 978 thousand on December 31, 2019.

(3) Before January 1, 2018, recognition as revenue when the group provide service. After January 1, 2018, above revenue follows IFRS15 rules. The group commit that recognition as service transfer to customers and satisfy performance obligation. Application of IFRS15 haven't effects of the Group's recognition of service revenue. But for apart of contract, take apart of consideration before transfer service to customers. The Group has the obligation of transaction service that is recognition of consideration for advance before January 1, 2018 and be recognition of contract liability after January 1, 2018.

(4) It's necessary to increase remark disclosure for following IFRS15 rules. Please refer to remark 4, remark 5 and remark 6

(2) Effect of the IFRSs issued by IASB but not endorsed by FSC

The Group has not applied the following IFRS, IAS, IFRIC and SIC (collectively as IFRSs) issued by the IASB but not endorsed by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note2)
IFRS 16 Leases	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 Uncertainty Over Income Tax Treatments	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases",

IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Corporation and its subsidiaries will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities.

Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments of Chinese and India for land use rights are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and lease payables are recognized for contracts classified as finance leases.

The Corporation and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019.

Comparative information will not be restated.

Leases agreements classified as operating leases under IAS 17, except for leases of low-value asset and short-term leases, will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group will apply the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019 :

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

- c) Except for lease payment, the Company will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will determine lease terms (e.g. lease periods) based on the projected status on January 1, 2019, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.1%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	\$	176,296
Less: Recognition exemption for short-term leases		(1,224)
Undiscounted gross amounts on January 1, 2019	\$	175,072
Discounted using the incremental borrowing rate on January 1, 2019	\$	135,391
Add: Adjustments as a result of a different treatment of extension and purchase options		383,480
Lease liabilities recognized on January 1, 2019	\$	518,871

The Group as lessor

It will not have significant impacts on the Group's accounting process for the Group as lessor.

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments of lease- current	\$ 8,473	\$ (8,467)	\$ 6
Prepaid rent	23,340	(23,340)	—
Right-of-use assets	—	542,211	542,211
Total effect on assets	\$ 31,813	\$510,404	\$ 542,217
Lease liabilities - current	\$ 6,808	\$ 5,347	\$ 12,155
Lease liabilities - noncurrent	—	506,716	506,716
Total effect on liabilities	\$ 6,808	\$512,063	\$ 518,871
Retained earnings	\$ —	\$ —	\$ —
Total effect on equity		\$ —	

Except above effects, as of the date for financial statements approved, it does not have significant impacts on the Group's financial position and financial performance after evaluating above Standards and Interpretations by the Group.

- (3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
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Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date for financial statements approved, it does not have significant impacts on the Group's financial position and financial performance after evaluating above Standards and Interpretations by the Group. Disclosure of related effect will be after evaluating finished.

4. Summary of significant accounting policies

The parent company only financial statements are prepared in conformity with significant accounting policies are as follows. The accounting policies applied consistently during the reporting period unless otherwise stated.

(1) Statement of Compliance

The parent company only financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IFRS, IAS, interpretations, and announcements approved by the Financial Supervisory Commission.

(2) Basis of preparation

1. Except for the following items, the parent company only financial statements have been prepared under the historical cost conventions:
 - Defined benefit liabilities are recognized based on the net amount of pension fund assets less the present value of the defined benefit obligation.
2. The significant accounting policies apply to all periods covered by the parent company only financial report.
3. The preparation of financial statements is in conformity with the IFRS requirement of the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the parent company

only financial statements are disclosed in Note 5.

(3) Foreign currency exchange

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

1. Foreign currency transactions and balances

A. Foreign currency transactions are exchanged into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Exchange differences of non-monetary assets and liabilities arising upon re-translation are recognized in fair value profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

2. Translation of foreign operations

(a) The operating results and financial position of all Company’s entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the functional currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- iii. All resulting exchange differences are recognized as other comprehensive income.

(b) Financial statements of foreign entities reported in the currency of a hyperinflationary economy should be restated by applying a general price index of the balance sheet date. Restated financial statements are then translated into the currency of the

Company using the exchange rate of the balance sheet date.

- (c) Translation differences from net investments of foreign operations, loans with long-term investment natures, and other monetary instruments designated as hedging instruments for these investments are recognized as other comprehensive income.
- (d) Upon partial disposal or sale of the foreign operation, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the profit or loss on sale. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (e) Goodwill and fair value adjustments generated from acquiring the foreign entity are considered as the assets and liabilities of the foreign entity, and they are translated using the closing exchange rate at the date of that balance sheet.

(4) Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets.

Otherwise, they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets that do not meet the above criteria are classified as non-current items.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

The Company classifies assets that do not meet the above criteria as non-current liabilities

(5) Cash equivalents

- a. In the parent company only cash flow statements, cash and cash equivalents include currency, bank deposits, and other highly liquid investments with a maturity of three

months or less at the time of purchase.

b. Cash equivalents refer to the following conditions of highly liquid short-term investments:

(a) Investments that are readily convertible to known amounts of cash.

(b) Investments that are subject to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A. Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i) Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Please refer to Note twelve for the determination of fair value.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except as the following, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

- (1) Purchased or originated credit-impaired financial asset, credit-adjusted effective interest rate multiply by amortised cost of a financial asset is interest.
- (2) Non-purchased or originated credit-impaired financial asset but become to credit-impaired financial asset, effective interest rate multiply by amortised cost of a financial asset is interest.

Cash equivalents include time deposits with repurchase agreements with original maturities within 3 months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Financial assets held by the Group include loans and receivables.

- (1) Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with repurchase agreements with original maturities within 3 months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

B. Impairment of financial assets

2018

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Corporation and its subsidiaries always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Corporation and its subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or

principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except unrecoverable trade is written off against the allowance account, the change of allowance account is recognized in profit or loss.

C. Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b) Equity instruments

Debt and equity instruments issued by the Corporation and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

c) Financial liabilities

i Subsequent measurement

The Group's all the financial liabilities are measured at amortized cost using the effective interest method.

ii Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in subsidiaries. A subsidiary is an entity that is controlled by the Company. (Including special purpose entities) Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortised. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets

and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

The Company prepared parent company only financial statements which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

(9) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they occur.

C. Land is not depreciated. Other property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in the estimate. This is in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and the change is reported from the date of the change. For the estimated useful lives of each asset, except that the houses and buildings are 20-25 years, the remaining personal protective equipment is given 2-10 years.

(10) Long-term prepaid rent

The Company signed a superficies agreement with Taiwan Sugar Corporation in January 2014 for new factory. The agreement is valid through January 9, 2024 and is amortized for 10 years.

(11) Impairment of non-financial assets

At each balance sheet date, the Company assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(12) Leases (lessor/lessee)

Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee (with the Company as the lessor) or the Company (with the Company as the lessee) assumes substantial or all risks and rewards incidental to ownership of the leased asset. An operating lease is a lease other than a finance lease. Lease income (net of any incentives given to the lessee) or payments (net of any incentives received from the lessor) from an operating lease is recognized in profit or loss on a straight-line basis over the lease term.

(13) Loans

- A. Loans are recognized initially at fair value, net of the transaction costs incurred. Loans are subsequently stated at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(14) Accounts and notes payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(15) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and

there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(16) Provisions

Provisions (including decommissioning) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(17) Revenue recognition

2018

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

In principle, payment term granted to customers is due 60 to 90 days from the shipment date. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Material processing, the control for the ownership of processing product doesn't transfer. So material processing doesn't recognize revenue.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. The amount of revenue can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Material processing, the significant risks and rewards of ownership of processing product doesn't transfer. So material processing doesn't process sales.

b) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services.

c) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect to services rendered by employees in a period. These benefits should be recognized as expenses in the period in which the employees render service.

B. Post-employment benefit plans

(a) Defined contribution plans

For defined contribution plans, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. A defined benefit plan is a pension plan without a defined contribution plan. Generally, a defined benefit plan is the pension benefit amount that an employee will receive upon retirement. This amount depends on one or multiple factors such as age, service years, and salary. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive upon retirement for their services with the Company in the current period or prior periods. The liability recognized in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds. The corporate bonds referenced are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability. When there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise, and they are presented in retained earnings.

C. Severance benefit

Severance benefit is the benefit provided in exchange for the termination of employment before the normal retirement date. This occurs when employment is ended or when employees decide to accept the company's benefit offer. The Company recognizes expenses when the Company can no longer terminate the severance benefit offer or recognize related replacement costs, whichever occurs first. It is not expected to be completely paid off and discounted within 12 months after the balance sheet date.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, deferred tax is not accounted for if it arises from initial recognition of goodwill or from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates. This excludes instances when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not subside in the near future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date, and it is expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

A deferred tax asset shall be recognized as the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(20) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as reductions on the carrying amount of assets, and they are amortized to profit or loss over the estimated useful lives of the related assets with the reduction of depreciation expenses.

(21) Share-based payment transaction

Share-based payment to employees are measured at the fair value of the stock options at the grant date. During the period when the employee can receive the salary unconditionally, the share-based payment can be recognized as the salary costs, and the relative equity can be raised. The recognized salary costs are adjusted with the reward amount that is expected to meet the

service conditions and non-market price vesting conditions. The amount recognized in the end is the reward amount that meets the service conditions and non-market vesting conditions on the vesting date.

(22) Earnings per share

The Group presents the basic and diluted earnings per share of the common shareholders of the Group. The consolidation's basic earnings per share represent the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with the gain or loss of the Group's common stock holders and weighted average number of common shares outstanding. Potential dilution of Company common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(23) Operating segments

Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. The Board of Directors is recognized as the chief operating decision-maker.

5. Critical accounting judgements and key sources of estimation and uncertainty

Management level have judgement, estimate and assumption that it based on experience and other factors, when accounting policies is not easy to get related information. The result maybe is not same as estimate.

Management level will continue to review estimate and basic assumption. If amendment of estimate only effect current period, recognized in amendment period. If amendment of estimate effect current and future period, recognized in amendment and future period.

(1) Estimate impairment of financial assets (Application in 2018)

The estimate impairment of accounts receivable depend on assumption of default rate and expected losses rate. The Group consider experience, current market and prospect information to make assumption and choose the entry value of impairment evaluation. Please refer to Note 6 and Note 12 for the important assumption and entry value. It maybe has material impairment loss if actual cash flow less than expected cash flow in the future.

(2) Estimate impairment of account receivable (Application in 2017)

The Group consider estimate of cash flow in the future when there is impairment for objective evidence. The amount of impairment loss depend on measurement of difference between initial effective discount rate and current value. (It carve-out impairment loss in the future) It maybe has material impairment loss if actual cash flow less than expected cash flow in the future.

(3) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group must make estimations to determine the net realizable value of inventory at the end of each reporting period. Due to rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, then recording the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

As of December 31, 2018, the Group's carrying amount of inventory was NT\$359,166 thousand.

(4) Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the management's judgment and estimation. This includes assumptions such as future revenue growth and profitability, the amount of tax credits that can be utilized, and tax planning. Any changes in the global economic environment, industry trends and relevant laws could result in significant adjustments to deferred tax assets.

As of December 31, 2018, the Group recognized NT \$24,319 thousand as deferred income tax liabilities.

(5) Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must make estimations in order to determine the actuarial assumptions on the balance sheet date, including discount rates and the expected rate of return on plan assets. Any changes in actuarial assumptions could significantly impact the amount of defined pension obligations.

As of December 31, 2018, the Group's carrying amount of accrued pension obligations amounted to NT \$76,567 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	December 31, 2017	December 31, 2016
Cash	\$ 1,436	\$ 962
Demand deposits	57,694	62,253
Checking account	269	97
Foreign currency deposits	97,716	182,555
Time deposits	7,602	31,681
Total	\$ 164,717	\$ 277,548

1. The Company possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents
2. The Company's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	December 31, 2018	December 31, 2017
Non-related parties	\$ 46,650	\$ 54,446
Related parties	—	—
Less: Allowance for doubtful receivables	—	—
Net	\$ 46,650	\$ 54,446

- a. The Company does not have collateral as security for receivable notes.
- b. The Company adopt impairment evaluation to follow IFRS9. Accumulated impairment related information refer to Note 6(3). Credit risk related information refer to Note 12.

(3) Accounts receivable, net

Items	December 31, 2018	December 31, 2017
Non-related parties	\$ 519,979	\$ 361,884
Related parties	307	—
Less: Allowance for doubtful accounts	(6,531)	(6,531)
Net	<u>\$ 513,755</u>	<u>\$ 355,353</u>

<1> Accounts receivable

For the year ending on December 31, 2018

The management level of the Group requests a specialty team to make decision of credit line, credit approval and other control procedure to reduce credit risk. Then they have due activity to make sure past due accounts receivable recoverability. The Group review the recoverable amount of receivables on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables. The management level confirms the credit risk of the Group decrease significantly.

The Group use the simple way of IFRS9, lifetime expected credit losses recognize loss allowance for account receivable. Lifetime expected credit losses are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast GDP and direction of economic conditions at the reporting date.

The Group recognizes loss allowance at full amount when the customers face severe financial situation and the Group can't evaluate expected recoverable amount reasonably.

Aging analysis of Notes receivable, Account receivable, Past due receivables.

	<u>December 31, 2018</u>
Not past due	\$ 486,037
Past due	
Within 60 days	69,483
From 61 to 90 days	4,787
From 91 to 180 days	98
Over 180 days	—
Total	<u>\$ 560,405</u>

The above aging analysis is based on past due days.

<u>Changes of loss allowance</u>	<u>December 31, 2018</u>
January 1,2018(IAS39)	\$ -31- 7,175

Effect of Retrospective application for IFRS9	—
January 1, 2018 (IFRS9)	7,175
Current Recognition	—
Current recovery	(135)
The Effects of Changes in Foreign Exchange Rates	—
December 31, 2018	\$ 7,040

A. The amount of loss allowance 7,040 thousand on December 31, 2018 is the sum of allowance for uncollectible account receivable 6,531 thousand and past due receivables 509 thousand.

B. Please refer Note 12 for expected credit impairment losses and credit risk related information.

For the year ending on December 31, 2017

The Group's credit policy of 2018 is same as credit policy of 2017.

The Group consider the credit quality changes during initial credit date and end of the balance sheet date when make decision of account receivable recoverability. Allowance for uncollectible account receivable refer to customers' payment record and current financial situation analysis for evaluation of unrecoverable amount.

The Corporation and its subsidiaries had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances.

<2> Past due but not in impairment of the allowance for doubtful receivables:

	<u>December 31, 2017</u>
Not past due and not in impairment	\$ 386,689
Past due but not in impairment	
Within 60 days	7,446
From 61 to 90 days	13,261
From 91 to 180 days	2,403
Over 180 days	—
Total	<u>\$ 409,799</u>

<3> Changes in the allowance for doubtful receivables

	<u>For the year ending on December 31, 2017</u>		
	<u>Individually assessed for impairment</u>	<u>Collectively assessed for impairment</u>	<u>Total</u>
On January 1st, 2017	\$ 755	\$ 4,858	\$ 5,613
Provision (reversal) for impairment	(111)	1,673	1,562

December 31, 2017	\$	644	\$	6,531	\$	7,175
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<4> The asset impairment loss assessment of individual accounts receivable is located in the column, "other non-current assets".

<5> NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

	December 31, 2018		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	\$ 205,951	\$ 13,507	\$ 192,444
Supplies	27,043	1,928	25,115
Work in process	2,526	584	1,942
Finished goods	113,922	3,666	110,256
Merchandise inventory	2,546	533	2,013
Inventory in transit	27,396	—	27,396
Total	\$ 379,384	\$ 20,218	\$ 359,166

	December 31, 2017		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw material	\$ 139,561	\$ 4,884	\$ 134,677
Supplies	44,497	2,575	41,922
Work in process	9,562	1,585	7,977
Finished goods	117,392	2,385	115,007
Merchandise inventory	1,951	39	1,912
Inventory in transit	4,518	—	4,518
Total	\$ 317,481	\$ 11,468	\$ 306,013

- Inventories are provided without guarantee or pledge as of December 31, 2018 and December 31, 2017.
- Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	2018	2017
Cost of goods sold	\$ 2,703,877	\$ 2,619,471
Idle capacity cost	8,171	6,359
Revenue from sale of scraps	(6,250)	(6,516)
Provision for inventory market price decline	8,750	1,227
Loss on disposal of inventory	6,280	44
Loss (profit) on physical inventory	601	2,005
Total	\$ 2,721,429	\$ 2,622,590

(5) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

December 31, 2018				
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	\$1,643,224	\$3,610,994	\$ —	100%
December 31, 2017				
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	\$ 1,488,208	\$ 3,120,375	\$ —	100%

b. Share of profits/losses of Investee for using equity method:

	2018	2017	Foundation
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	417,935	383,298	Audit report of the same period by CPA
Nanliu Enterprises (Pinghu) Ltd.	(7,005)	(373)	Elimination of unrealized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	373	1,826	Elimination of realized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	3,145	(5,286)	Tax effects of downstream and upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(40)	(160)	Tax effects of realized fixed asset profits on downstream transactions
Total	414,408	379,305	

c. NANLIU ENTERPRISE(SAMOA) CO.,LTD. was established in 2004. The Company took 100% ownership and control of NANLIU ENTERPRISE (SAMOA) CO., LTD. The Parent Company Only financial statements include financial statements of NANLIU ENTERPRISE (SAMOA) CO., LTD.

d. The Company was approved investment by INVESTMENT COMMISSION, MOEA (No. 093001616) on January 20, 2004. The investment of Nanliu Enterprises (Pinghu) Ltd. past through the third country (NANLIU ENTERPRISE (SAMOA) CO., LTD.).

e. NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED was established in 2017. The company hold 100.00% ownership and control. The Parent Company Only financial statements include financial statements of NANLIU ENTERPRISE (SAMOA) CO., LTD.

- e. Currency translation of foreign investments in Subsidiaries exchange to NT dollars by spot rate on the year-end, then value it for using equity method. Financial statements translation differences for foreign operations were recorded in shareholders' equity.
- f. About accounting for investments accounted for using equity method, please refer to '4. Summary of significant accounting policies'.

(6) Property, plant and equipment

	<u>Land</u>	<u>Land revaluation</u>	<u>Building/ Structure</u>	<u>Machinery and equipment</u>	<u>Hydropower equipment</u>	<u>Transport equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1st, 2018	\$ 46,046	\$ 11,264	\$ 55,951	\$ 109,643	\$ 7,482	\$ 6,017	\$ 881	\$ 9,707	\$ 510,483	\$ 757,474
Added	—	—	2,345	14,327	796	—	200	4,293	315,121	337,082
Disposals or retirements	—	—	—	(701)	—	(3,370)	(1)	—	—	(4,072)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	450	6,357	—	7,921	—	10,731	(708)	24,751
Annual depreciation	—	—	(10,538)	(35,121)	(2,476)	(2,700)	(430)	(4,459)	—	(55,724)
Reversal of impairment	—	—	1,224	—	—	—	—	—	—	1,224
Effect of exchange rate changes	46,046	\$ 11,264	\$ 49,432	\$ 94,505	\$ 5,802	\$ 7,868	\$ 650	\$ 20,272	\$ 824,896	\$ 1,060,735
Balance on December 31, 2018	\$									
Book value :										
On December 31, 2018										
Cost	\$ 46,046	\$ 11,264	\$ 208,349	\$ 897,773	\$ 54,767	\$ 26,804	\$ 13,393	\$ 58,290	\$ 824,896	\$ 2,141,582
Less: Accumulated depreciation and impairment	—	—	(158,917)	(803,268)	(48,965)	(18,936)	(12,743)	(38,018)	—	(1,080,847)
Balance on December 31, 2018	\$ 46,046	\$ 11,264	\$ 49,432	\$ 94,505	\$ 5,802	\$ 7,868	\$ 650	\$ 20,272	\$ 824,896	\$ 1,060,735

	<u>Land</u>	<u>Land revaluation</u>	<u>Building/ Structure</u>	<u>Machinery and equipment</u>	<u>Hydropower equipment</u>	<u>Transport equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1st, 2017	\$ 46,046	\$ 11,264	\$ 43,315	\$ 123,408	\$ 8,711	\$ 9,448	\$ 1,365	\$ 9,854	\$ 43,361	\$ 296,772
Added	—	—	10,264	9,327	1,286	—	—	3,108	476,631	500,616
Disposals or retirements	—	—	—	(47)	(1)	(512)	—	—	—	(560)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	10,561	16,397	514	—	—	—	(9,509)	17,963
Annual depreciation	—	—	(9,484)	(39,442)	(3,028)	(2,919)	(484)	(3,255)	—	(58,612)
Reversal of impairment	—	—	1,295	—	—	—	—	—	—	1,295
Effect of exchange rate changes	<u>46,046</u>	<u>\$ 11,264</u>	<u>\$ 55,951</u>	<u>\$ 109,643</u>	<u>\$ 7,482</u>	<u>\$ 6,017</u>	<u>\$ 881</u>	<u>\$ 9,707</u>	<u>\$ 510,483</u>	<u>\$ 757,474</u>
Balance on December 31, 2017	<u>\$</u>									
Book value :										
On December 31, 2017										
Cost	\$ 46,046	\$ 11,264	\$ 205,553	\$ 878,039	\$ 53,971	\$ 32,252	\$ 13,278	\$ 43,425	\$ 510,483	\$ 1,794,311
Less: Accumulated depreciation and impairment	—	—	(149,602)	(768,396)	(46,489)	(26,235)	(12,397)	(33,718)	—	(1,036,837)
Balance on December 31, 2017	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 55,951</u>	<u>\$ 109,643</u>	<u>\$ 7,482</u>	<u>\$ 6,017</u>	<u>\$ 881</u>	<u>\$ 9,707</u>	<u>\$ 510,483</u>	<u>\$ 757,474</u>

1. Capitalized interest for the years 2018 and 2017 were 6,902 and 2,361 thousand, respectively.
2. The Company's property, plant and equipment weren't pledged.

(7) Short-term borrowings

December 31, 2018		
Items	Amount	Interest rate
Credit loans	\$ 1,070,000	0.77% ~0.90%
Foreign currency loans	—	—
Total	\$ 1,070,000	

December 31, 2017		
Items	Amount	Interest rate
Credit loans	\$ 706,435	0.84% ~1.12%
Foreign currency loans	—	—
Total	\$ 706,435	

For short-term loans, the Company assign Huang Chin-San and Huang Ho-Chun as guarantors.

(8) Short-term notes and bills payable, net

December 31, 2018: None.

December 31, 2017				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Dah Chung Bills Finance Corporation	2017/12/08~2018/01/19	0.551%	\$ 70,000
Short-term notes and bills payable	China Bills Finance Co.,	2017/12/28~2018/01/26	0.540%	100,000
Short-term notes and bills payable	MEGA Bills Finance Co.,	2017/12/29~2018/01/26	0.560%	50,000
Short-term notes and bills payable	International Bills Finance Corporation	2017/12/28~2018/01/26	0.660%	100,000
Short-term notes and bills payable	Wan tong Bills.	2017/12/29~2018/01/26	0.540%	80,000
Total				400,000
Less: discount on short-term notes and bills				(142)
Short-term net notes and bills				\$ 399,858

(9) Long-term bank borrowing and current portion of long-term bank borrowing

	December 31, 2018	December 31, 2017
Credit loans	\$ 1,961,886	\$ 1,010,000
Secured bank borrowings	374,939	—
Subtotal	2,336,825	1,010,000
Less: current portion of long-term bank borrowings	(126,000)	—
Total	\$ 2,210,825	\$ 1,010,000

Range of maturity dates	106/04~114/09	105/08~109/10
Range of interest rates	1.05%~1.15%	1.10%~1.33%

- NAN LIU Group assigned Huang Chin-San and Huang Ho-Chun as guarantors.
- The installing machines was pledged to bank. These machines will be pledged by the first priority to bank for borrowing.

(10) Pensions

A. Defined benefit plan;

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law. The plan covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and the service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries to the retirement fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement in the next year, the Company will make contributions to cover the deficit by the following March.

- (b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ (95,491)	\$ (93,379)
Fair value of plan assets	18,924	18,057
Net defined benefit liability	\$ (76,567)	\$ (75,322)

- (c) Changes in net defined benefit obligations are as follows:

	2018	2017
Defined benefit obligations at January 1	\$ 93,379	\$ 92,782
Current service cost	1,002	1,135
Interest cost	908	1,145
Benefits paid	(3,020)	(5,626)
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	(6,671)	1,358
Actuarial losses (gains)-changes in demographics assumptions	48	852

Actuarial losses (gains)-changes in financial assumptions	9,845	2,154
Plan Curtailment effects	—	(421)
Defined benefit obligations on December 31	<u>\$ 95,491</u>	<u>\$ 93,379</u>

(d) Changes in fair value of plan assets are as follows:

	2018	2017
Fair value of plan assets at January 1	\$ 18,057	\$ 14,691
Expected return on plan assets	159	176
Contributions on plan assets	3,086	8,821
Benefits paid from plan assets	(3,020)	(5,626)
Actuarial gain or loss on plan assets	642	(5)
Fair value of plan assets on December 31	<u>\$ 18,924</u>	<u>\$ 18,057</u>

(e) The fair value of the plan assets by major categories at the end of reporting period is as follows:

	December 31, 2018	December 31, 2017
Cash	\$ 18,924	\$ 18,057
Equity instruments	—	—
Debt instruments	—	—
Total	<u>\$ 18,924</u>	<u>\$ 18,057</u>

(f) Expenses recognized in statements of comprehensive income are as follows:

	2018	2017
Current service cost	\$ 1,002	\$ 1,135
Interest cost	908	1,145
Expected return on plan assets	(159)	(176)
Plan Curtailment effects	—	(421)
Current pension costs	<u>\$ 1,751</u>	<u>\$ 1,683</u>

Remeasurement details of net defined benefit liabilities are as follows:

	2018	2017
Actuarial gain or loss on defined benefit obligation	\$ 3,222	\$ 4,364
Gain (loss) on plan assets	(642)	5
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	<u>\$ 2,580</u>	<u>\$ 4,369</u>

Details of the aforementioned costs and expenses recognized in the statements of comprehensive income are as follows:

	2018	2017
Cost of goods sold	\$ 805	\$ 732
Selling expenses	—	—
General and administrative expenses	658	662
Research and development expenses	288	289
Total	<u>\$ 1,751</u>	<u>\$ 1,683</u>

Actuarial gain or loss recognized under other comprehensive income are as follows:

	2018	2017
Current period	\$ (2,580)	\$ (4,369)
Accumulated amount	\$ (15,558)	\$ (12,978)

(g) The Bank of Taiwan was commissioned to manage the funds of the Group's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc. With regard to the utilization of the fund, its minimum earnings in annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of the fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee. It was also taken into account that the fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(h) The principal actuarial assumptions used were as follows:

	December 31, 2018	December 31, 2017
Discount rate	0.75%	1.00%
Future salary increase rate	3.00%	2.00%

Effects of changes in the principal actuarial assumptions on the present value analysis of the defined benefit obligation are as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2018	0.25%	0.25%	0.25%	0.25%
Effects on present value of defined benefit obligation	\$ (2,140)	\$ 2,225	\$ 2,170	\$ (2,099)
December 31, 2017	0.25%	0.25%	0.25%	0.25%

Effect on present value of defined benefit obligation	\$ (2,178)	\$ 2,266	\$ 2,238	\$ (2,163)
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The sensitivity analysis above is based on other conditions that are unchanged, but only one assumption is changed. In practice, more than one assumption may change at one time. The method of analyzing sensitivity and calculating net pension liability in the balance sheet are the same.

(i) The expected total contributions paid to the Group's defined benefit pension plans within one year from December 31, 2018 was \$885 thousand.

(j) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	\$	5,621
1-2 years		6,888
2-5 years		32,458
Over 5 years		55,193
	\$	<u>100,160</u>

B. Defined contribution plan:

(a) Effective July 1, 2005, the Group established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with Republic of China (ROC) nationality. Under the New Plan, the Group contributes a monthly amount based on no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs (including pension insurance) under the Company's defined contribution pension plans for the years ending on December 31, 2018 and 2017 were \$7,454 thousand and \$6,108 thousand, respectively.

(11) Capital and other equity

1. Common stock

As of December 31, 2017 and 2018, the Company's authorized capital was \$1,000,000 thousand, and issued capital was \$726,000 thousand.

2. Capital surplus

Item	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Additional paid-in capital	\$ 439,404	\$ 439,404
Employee stock options	14,063	14,063
	<u>-42-</u>	

Total	\$	453,467	\$	453,467
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Pursuant to the ROC Company Act, capital surplus arising from paid-in capital in excess of the par value on the issuance of common stocks and donations can be used to cover accumulated deficit. It may also be used to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Furthermore, the ROC Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

3. Retained earnings and dividend policy

(1) According to the Company's Articles of Incorporation:

- a. Over 1% of the current year's earnings, if there were earnings, shall be distributed as employee bonuses and less than 2% as director and supervisor remuneration. However, if the Company still has accumulated loss, the compensation shall be kept.
- b. Remuneration of employees shall be paid by stock or cash, including employees of affiliated companies who meet certain criteria. Remuneration of directors and supervisors may be paid in cash.
- c. 10% of the annual net income, after offsetting any loss from prior years and paying all taxes and dues, shall be set aside as legal reserve. Then, special reserve is set aside or reserved according to laws or competent authority. The appropriation of the remaining amount, along with any unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders to be distributed as dividends. Cash dividends, however, shall be no less than 20% of total dividends.
- d. Aforementioned distribution of earnings shall be resolved and recognized in the shareholders' meeting held in the following year.

- (2) The legal reserve shall not be used for any purpose other than covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share of ownership. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- (3) Company employee bonuses were calculated by the percentage before deducted remuneration of employees and directors from income before tax in 2018, and the amount was estimated to reach \$8,663 thousand and \$7,368 thousand in 2018 and 2017, respectively. Remuneration of directors was expensed based on the estimated amount payable. The estimated amount was \$5,997 thousand and \$4,715 thousand in 2018 and 2017, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.
- (4) The bonus to employees and remuneration of directors and supervisors of 2018 were NT\$8,663 thousand and NT\$5,997 thousand, respectively proposed by the Board of Directors on March 6, 2019. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018. The distribution of the 2017 will be approved in the shareholders' meeting on May 29, 2019.
- (5) The distributions of profit for 2017 and 2016 were approved by the shareholders' meeting on May 29, 2018 and May 31, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)	Amount
Cash	4.5	\$ 326,700	4.8	\$ 348,480
Shares	—	—	—	—
		<u>\$ 326,700</u>		<u>\$ 348,480</u>
Bonus to employees - cash		\$ 7,368		\$ 8,142
Remuneration of directors and supervisors		4,715		5,226
		<u>\$ 12,083</u>		<u>\$ 13,368</u>

The distribution of 2017 profit was as follows:

	2017		
	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
1. Distribution			
Cash bonus to employees	\$ 7,368	\$ 7,368	\$ —
Remuneration of directors and supervisors	\$ 4,715	\$ 4,715	\$ —

Distribution of 2017 profit was the same as proposal by the Board of Directors on March 13, 2018 and the shareholder resolution made on May 29, 2018.

Please refer to the Taiwan Stock Exchange website under “Market Observation Post System” for the resolutions of the Board of Directors and shareholders’ meeting.

4. Special reserve

	December 31, 2018	December 31, 2017
Opening balance	\$ 155,667	\$ 44,348
Special reserve appropriated- deduction item in other equity appropriated	37,534	111,319
Reversal Special reserve	—	—
Ending balance	\$ 193,201	\$ 155,667

The Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders’ equity, such as the accumulated balance of foreign currency translation reserve, etc. For the subsequent decrease in the deduction amount to stockholders’ equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

5. Other equity

	<u>Foreign Currency Translation Difference</u>
On January 1st, 2017	\$ (193,201)
Currency translation differences (after tax)	(71,736)
On December 31, 2018	<u>\$ (264,937)</u>
On January 1st, 2016	\$ (155,667)
Currency translation differences (after tax)	(37,534)
On December 31, 2017	<u>\$ (193,201)</u>

The conversion of foreign-operating agency net assets to company currency will cause exchange differences. This can be recognized as other comprehensive income and accumulated in the conversion of financial statements due to the foreign operating agency exchange differences.

(12) Net Sales

Items	2018	2017
Sale of goods	\$ 3,150,067	\$ 3,001,485

a. The detail item of customers' contracts.

Item	2018
Biotechnology	\$ 886,480
Spunlace Nonwoven	1,175,547
Air Through & Thermal Bond Nonwoven	651,144
Disposable Surgical gowns Fabrics	436,896
Total	\$ 3,150,067
Area	2018
Taiwan	1,268,577
China	62,748
Japan	817,592
Asia	929,942
Others	71,208
Total	3,150,067

The revenue of Geographic information is based on head office of customers.

b. The outstanding of contracts

	December 30, 2018	January 1, 2018
Contract liability	\$ 978	\$ 1,724

i. The changes of contract liability majorly satisfy performance obligation and payment difference of customers.

ii. For the year ending on December 31, 2018, initial contract liability recognize 1,374 thousand under revenue.

(13) Non-operating income and expenses

1. Others

Items	2018	2017
Share of comprehensive income (loss) of associates and joint ventures	\$ 414,408	\$ 379,305
Interest income	1,369	-46- 1,307

Impairment or reversal of property, plant and equipment	1,224	1,295
gain on disposal of assets	707	1,091
Foreign exchange gain, net	22,342	1,143
Other income	3,876	7,219
Total	<u>\$ 443,926</u>	<u>\$ 391,360</u>

2. Finance costs

Items	2017	2016
Interest expense (Bank loans)	\$ 22,488	\$ 13,459
The amount of capitalization of assets that eligible for condition	(6,902)	(2,361)
Total	<u>\$ 15,586</u>	<u>\$ 11,098</u>

(14) Income taxes

1. Income tax expense

(1) Components of income tax expense:

Item	2018	2017
Current income tax		
income tax incurred in current period	46,995	29,272
10% tax on unappropriated earnings	11,938	6,353
Income tax adjustments on prior years	363	—
Deferred income tax expense		
Recognition and reversal of temporary differences	2,385	354
Effects of changes in tax rate	(2,725)	—
Income tax expense	<u>58,956</u>	<u>\$ 35,979</u>

(2) The income tax expense related to components of other comprehensive income (loss) is as follows:

2. Reconciliation between profit:	Items	2018	2017	income tax expense and accounting
	Currency translation differences	\$ —	\$ —	
	Actuarial gains/losses on defined benefit obligations	(516)	(743)	
	Effects of changes in tax rate	(389)	—	
	Total	<u>\$ (905)</u>	<u>\$ (743)</u>	

Item	2018	2017
Income before tax	651,722	577,356
Income tax expense at the statutory 17% tax rate	130,344	98,150
Nondeductible (deductible) items in determining taxable income	(83,349)	(68,878)
10% tax on unappropriated earnings	11,938	6,353
Prior year income tax underestimation	363	—
Changes of deferred tax		
Temporary differences	2,385	354
Effects of changes in tax rate	(2,725)	—
Income tax expense	<u>58,956</u>	<u>35,979</u>

In February 2018, it was announced that the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. The effect of the change in tax rate on deferred tax income had been recognized in profit or loss. In addition, the tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

3. Deferred income tax assets or liabilities resulting from temporary differences, loss are as follows:

Items	2018			
	Beginning balance	Recogniti on of income	Recognition of Other Comprehensive income	Ending balance

Temporary differences				
Impairment of assets	\$ 2,063	\$ 119	\$ —	\$ 2,182
Loss on inventory market value decline	1,950	2,094	—	4,044
Exchange gain or loss	(371)	(3,688)	—	(4,059)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	12,805	1,603	905	15,313
Currency translation differences(Note)	—	—	—	—
Others	1,235	212	—	1,406
Deferred tax income(expenses)		\$ 340	\$ 905	
Net deferred tax assets(liabilities)	\$ 17,641			\$ 18,886

The balance sheet information is as follows

Deferred tax assets	\$ 19,376	\$ 24,319
Deferred tax liabilities	\$ 1,735	\$ 5,433

Items	2017			
	Beginning balance	Recogniti on of income	Recognition of Other Comprehensive income	Ending balance
Temporary differences				
Impairment of assets	\$ 2,283	\$ (220)	\$ —	\$ 2,063
Loss on inventory market value decline	1,741	209	—	1,950
Exchange gain or loss	(398)	27	—	(371)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	12,896	(834)	743	12,805
Currency translation differences(Note)	—	—	—	—
Others	730	464	—	1,194
Deferred tax income(expenses)		\$ (354)	\$ -49- 743	

Net deferred tax assets(liabilities)	<u>\$ 17,252</u>	<u>\$ 17,641</u>
The balance sheet information is as follows		
Deferred tax assets	<u>\$ 19,559</u>	<u>\$ 19,376</u>
Deferred tax liabilities	<u>\$ 2,307</u>	<u>\$ 1,735</u>

(Note) The Company controls its subsidiary's dividends. NAN LIU Plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in Yanchao District through subsidiary's earnings distribution. The company has plan for capital expenditure of Yanchao new plant. It is unnecessary for the subsidiary to allocate its earnings. At the same time, the Company actively plans to apply retained earnings to extend subsidiary operations. Therefore, undistributed profits and foreign conversion differences were evaluated for the future without rotation in 2017. According to IAS12's 39th provision for investment subsidiaries related to taxable temporary differences (including subsidiaries' undistributed earnings and foreign exchange differences), the above are not accounted- as deferred tax liabilities.

4. The company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2016.

(15) Additional information on expenses by nature and employee benefit expense:

	2018		
	Operating cost	Operating expenses	Total
Employee benefit expense	\$ 150,209	\$ 73,749	\$ 223,958
Wages and salaries	120,553	59,242	179,795
Labor and health insurance costs	12,821	4,632	17,453
Pension and severance expenses	6,398	2,807	9,205
Compensation of directors	-	4,708	4,708
Other personnel expenses- food expenses	10,437	2,360	12,797
Depreciation	52,284	3,440	55,724
Amortization	-	4,668	4,668
	2017		
	Operating cost	Operating expenses	Total
Employee benefit expense	\$ 131,580	71,018	202,598

Wages and salaries	106,325	57,946	164,271
Labor and health insurance costs	10,666	4,249	14,915
Pension and severance expenses	5,169	2,622	7,791
Compensation of directors	—	3,811	3,811
Other personnel expenses- food expenses	9,420	2,390	11,810
Depreciation	54,571	4,041	58,612
Amortization	—	5,460	5,460

There were 317 and 275 workers in NAN LIU Company on December 31, 2018 and 2017, respectively. It's include Non employees Directors 4 persons.

(16) Earnings per share

1. Basic earnings per share

Earnings per share were attributed to the common equity holders of the Company's profit and losses and divided by the weighted average number of shares for the calculations for the current period.

2. Dilute earnings per share

The effect of diluted earnings per share indicates the number of adjustments to all diluted potential common shares, and was attributable to the equity holders of the parent company's common stock profit and loss calculation and the weighted average number of shares outstanding.

3. Dilute earnings per share

	2018		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 592,766	72,600	\$ 8.16

Diluted earnings per share

Assumed conversion of all dilutive potential common stocks	—	56	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 592,766	72,656	\$ 8.16
	<u>2017</u>		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 541,377	72,600	\$ 7.46
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	48	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 541,377	72,648	\$ 7.45

If enterprises choose to offer employees remuneration or profits in the way of shares or cash, in order to calculate the diluted earnings per share, employee remuneration (or employee profits issued with stock that has a dilution effect on potential ordinary shares) should be included in the weighted average number of outstanding shares. Calculating diluted earnings per share is based on the closing price reported on the end period date of potential ordinary shares (taking into account the ex-right and ex-dividend effect) as a basis for judging the number of shares. The following year of resolution staff remuneration or issuance of profit shares will continue to take into account the dilution effects to potential ordinary shares when calculating the diluted earnings per share.

(17) Cash flow supplement information

1. Investing activities of part of cash payment.

2018	2017
------	------

Acquisition of property , plant and equipment	\$ 337,082	\$ 500,616
Add : Initial Payables on equipment	74,821	6,722
Add : Initial Notes payable	602	2,208
Less : Ending Payables on equipment	(18,253)	(74,821)
less : Ending Notes payable	(5,901)	(602)
Total	<u>\$ 388,351</u>	<u>\$ 434,123</u>

2. The changes of liabilities from Financing Activities:

	Short term loan	Short-term bills payable , net	Long term loan (include Current portion)	The total of liabilities from Financing Activities
January 1, 2018	\$ 706,435	\$ 399,858	\$ 1,010,000	\$ 2,116,293
Cash folw	363,565	(400,000)	1,326,825	1,290,390
Changes of Exchange rate	—	—	—	—
Others(Note)	—	142	—	142
December 30, 2018	<u>\$ 1,070,000</u>	<u>\$ —</u>	<u>\$ 2,336,825</u>	<u>\$ 3,406,825</u>

Note: others include amortization of short-term bills payable.

7. Related party transactions

(1) Name of related parties and relationship

Name of related party	Relationship with the company
Huang Chin-San	Chairman of the company
Huang Hsieh Meu Yun	Spouse of the chairman of the company
Huang Ho-Chun	Director of the company

NANLIU ENTERPRISE(SAMOA) CO.,LTD.	Investee company of the Company accounted for using equity method
Nanliu Enterprises (Pinghu) Ltd.	Investee company of ENTERPRISE(SAMOA) CO.,LTD. accounted for using equity method

(2) Significant transactions and balances with related parties:

1. Purchasing:

Name of related party	2017	2016
Nanliu Enterprises (Pinghu) Ltd.	\$ 1, 222, 167	\$ 1, 097, 318

- i. The purchasing prices and payment terms for related parties are the same as those of ordinary deals.
- ii. As of December 31, 2018 and December 31, 2017, unrealized gross profit that the Company purchased from related party (Nanliu Enterprises (Pinghu) Ltd. was 7,005 thousand and 373 thousand ,respectively.

2. Sales:

Related party	2018	2017
Nanliu Enterprises (Pinghu) Ltd.	\$ 328	\$ 10, 561

- i. The selling prices and collection terms for related parties are the same as those of ordinary sales.
- ii. As of December 31, 2018 and December 31, 2017, unrealized gross profit that the Company sold to related party (Nanliu Enterprises (Pinghu) Ltd.) was 0 thousand, respectively.

3. Notes and accounts payable:

Related party	Account name	December 31, 2018	December 31, 2017
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	\$ 248, 670	\$ 177, 109

4. Notes and accounts receivable:

Related party	Account name	December 31, 2018	December 31, 2017
Nanliu Enterprises (Pinghu) Ltd.	Accounts receivable	\$ 307	\$ -

5. Accommodation of funds

Account	Related parties	Highest balance	Ending balance	Interest rate period	Interest of one year
Long term Notes payable-related parties	NANLIU ENTERPRISE(SAM OA) CO.,LTD.	\$ 267, 220	\$ 267, 220	3. 5%	\$ 1, 092

The financing didn't provide any pledge by the Company. The loan period is from November 20, 2018 to November 20, 2021. Repayment is by once time when loan end. Interest payment is by quarter. As of December 31, 2018, there is unpaid interest NTD 1,092 booking under other payables. 2017 : None ◦

6. Property transactions: none.

7. Guarantees:

As of December 31, 2018 and December 31, 2017, the Company provided financial guarantees as following:

	December 31, 2018	
	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	
Citi Bank	\$	152, 625
Total	\$	152, 625

December 31, 2017: None.

8. Rent expenses:

(1)The Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The rent expenses was NT 8 thousand per month. Annual rental expenses were NT \$200 thousand for 2018 and 2017. As of December 31, 2018 and 2017, the above amounts were settled.

(2)The Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT\$ 10 thousand per month from related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in July, 2011. Annual rental expenses were NT \$240 thousand for 2018 and 2017. As of December 31, 2018 and 2017, the above amounts were settled.

9. Others:

(1) All the Company's bank loans indicate Huang Chin-San and Huang Ho-Chun as guarantors.

(2) The main management remuneration information is as follows:

Items	2018	2017
Salary	\$ 14,738	\$ 18,782
Bonus	2,411	2,641
Service allowance	690	690
Total	\$ 17,839	\$ 22,113

8. Pledged Assets: None.

9. Major commitments and unrecognized commitments.

In addition to those disclosed in Note, significant commitments and contingencies of the Company as of December 31, 2018 were as follows:

1. Amounts of unused letters of credit and deposits for purchasing raw material and machines were as follows:

December 31, 2018			December 31, 2017		
Letter of credit	guarantee deposit		Letter of credit	guarantee deposit	
USD 635	\$ -		USD 523	\$ -	
EUR 689	\$ -		EUR 14,369	\$ -	

2. The Company unrecognized commitments are as follows.

	2018	2017
Payment of Property , plant and equipment	\$ 144,281	\$ 516,890

1. Significant contingent liabilities and unrecognized commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting date, excluding those disclosed in other notes, were as follows:

	2018	2017
Less than one year	\$ 10,663	\$ 14,174

More than one year and less than five years	25,905	7,855
More than five years	139,728	—
Total	\$ 176,296	\$ 22,029

10. Major damage losses: none.

11. Major subsequent events: none.

12. Others:

(1) Capital risk management

The main goal of the Company's capital management is to maintain integrated and positive capital ratios in order to support business operations and maximize shareholders' equity. The Company manages and adjusts its capital structure based on economic conditions and debt ratios. It may adjust dividends or issue new shares to achieve the goal of maintaining and adjusting the capital structure. The Company controls finance by reviewing its debt equity ratio, and the debt equity ratio for reporting is as follows:

Items	December 31, 2018	December 31, 2017
Total liabilities	\$ 4,386,989	\$ 2,784,252
Total equity	3,066,003	2,873,348
Debt to equity ratio	143.08%	96.90%

(2) Financial instruments

<1> The kinds of financial instruments

	December 31, 2018	December 31, 2017(Note)
<u>Financial assets</u>		
Financial assets measured at amortized costs :		
Cash and cash equivalents	\$ 164,717	
Notes receivable	46,650	
Accounts receivable	513,755	

Other receivables	16,001
Deposit of due date over three months	23,254
Refundable deposit and pledged financial assets	11,740
	\$ 776,117

Loan and accounts receivable:

Cash and cash equivalents	\$	277,548
Notes receivable		54,446
Accounts receivable		355,353
Other receivables		29,375
Refundable deposit and pledged financial assets		9,771
	\$	726,493

Financial liabilities

Financial liabilities measured at amortized costs:

Short term loan	\$	1,070,000	706,435
Short-term bills payable , net		—	399,858
Accounts payable		575,639	558,857
Long term accounts/notes payable		267,220	—
Long term loan(include Current portion)		2,336,825	1,010,000
	\$	4,249,684	2,675,150

Note: The Group apply IFRS9 from January 1, 2018 and doesn't restate Comparative statement of financial position by related transition rules.

<2> Financial risk management policies

The Group uses a comprehensive risk management and control system to clearly and effectively identify, measure and control all of its risks (including market, credit, liquidity and cash flow risk).

The Group's management evaluates economic conditions and the effects of market value risks to control the related risks effectively, optimize its risk position, and maintain proper liquidity and central control of market risks.

<3> Market risk

Market risk refers to the result of changes in market prices, such as exchange rates, interest rates, and equity instrument price changes that will affect the Company's risk-benefit or value of financial instruments. The objective of market risk management is to control the degree of market risk within bearable range and to maximize the return on investment.

(1) Foreign exchange risk:

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

A. Exchange rate risk exposures

At the balance sheet date, the book value of monetary assets and liabilities that denominated in non-functional currency were as follows. This includes offset currency items denominated in non-functional monetary items of consolidated financial statements.

Item	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	13,017	30.714	399,804	11,553	29.760	343,830
RMB	7,129	4.472	31,881	8,049	4.565	36,744
EUR	33	35.152	1,160	8	35.570	279
JPY	394	0.2792	110	300	0.2462	79
Investments accounted for using equity method						
RMB	714,665	4.472	3,195,981	737,250	4.565	3,365,548
INR	322,588	0.4398	141,874	—	—	—
Financial liabilities						
Monetary items						

USD	9,420	30.714	289,322	8,373	29.760	249,192
EUR	14,589	35.201	513,542	8,628	35.570	306,899
JPY	690	0.2783	192	210	0.2642	55
Non-Monetary items						
USD	—	—	—	56	29.760	1,679

B. Sensitivity analysis

The Company's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. As of the year ended December 31, 2018 and 2017, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, As of the year ended December 31, 2018 and 2017, the company's income before income tax would increase/decrease by \$3,703 thousand and \$1,754 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

The Company's loans are based on a floating rate and do not have interest rate swap contracts to change from a floating to a fixed rate. In response to interest rate risk, the Company assesses the bank and currency borrowing rates regularly and maintains good relations between financial institutions to decrease financing costs, strengthen the management of working capital, reduce its reliance on banks and diversify the risk of interest rate changes.

The Company's exposure to interest risk to its financial liabilities is described in the liquidity risk of the Note. The following sensitivity analysis is according to the non-derivative instrument's interest risk at the reporting date. The analysis assumed that the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period. When reporting interest rate to top management of the Company, the floating interest rate used should increase or decrease by 1%, which also represents a reasonable possible change assessment by management.

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately \$34,068 thousand and \$21,163 thousand for the year ended December 31, 2018 and 2017, mainly due to floating rate loans.

(3) Credit risk:

The Company's primary credit risk is the collection of receivables. Consequently, the Company has continuously assessed the collectability of accounts and notes receivable, and reserved provision for doubtful accounts. Therefore, the Company's credit risk is very low.

- A. Because customers or counterparty of financial instruments can't execute contracts' obligation, the Company has financial losses risk. The major reason is counterparty can't follow the payment term.
- B. The Company follow the internal credit policy, the Company has to manage and analysis credit risk before the Company set the payment term. The internal risk control considers financial situation, trade experience and others reason to evaluate customers' credit risk. The limit of personal risk, the management level assigns the team by evaluation of internal or external. The management level monitor regularly usage of credit.
- C. The Company provide presumption for amendment of IFRS 9. When payment of contract over due date for 90 days, the credit risk of financial assets increases prominently. The overdue 30 days of account receivables haven't losses of doubtful debts for recent two years, the overdue 30 days of account receivables haven't relation of credit default actually. Most of the Company's customers are brand distributor of international companies. These customers take care their goodwill, default risk is low. They have enough ability to complete the cash flow of contract obligation during short period. It will not decrease executing contract ability for customers even maybe long term economic or operation unfavorable situation appear. Apart of customers have foreign exchange control or difference of reconciliation timing, even there are over due date account receivable but credit risk not increases. To amend presumption by the actually account receivable situation, the credit risk of customers significantly increasement is overdue 90 days.
- D. The Company provide presumption to amend IFRS 9, it is recognized for credit default when the contract payment is overdue 180 days. It uses actual default period to calculate and analysis for recent two years for the Group's customers.
- E. The Company use simple method and use preparing matrix for base to evaluate expected credit losses from grouping of account receivable by customers' type.
- F. The Company uses the losses rate for specific historical period and current information by Taiwan Institute of Economic Research Prosperity forecast report to evaluate loss allowance of account receivable.

December
31, 2018

Expected credit
losses rate

Not overdue day (Note)	Overdue during 60 days	Overdue during 90 days	Overdue during 180 days	Overdue 180 days	Total
0%	5.00%	28.00%	90.00%	100.00%	

Total book value	\$ 486,037	\$ 73,140	\$ 6,648	\$ 979	\$ 641	\$ 567,445
Loss allowance	—	(3,657)	(1,861)	(881)	(641)	(7,040)
Book value	<u>\$ 486,037</u>	<u>\$ 69,483</u>	<u>\$ 4,787</u>	<u>\$ 98</u>	<u>\$ —</u>	<u>\$ 560,405</u>

Note: the Note receivables all are not overdue day.

(4) Liquidity risk:

The Company manages and maintains sufficient cash and cash equivalents to support its operations and ease the effects of fluctuations in cash flows. The Company's management supervises the utilization of bank facilities to ensure compliance with loan agreements.

Bank loans are an important source of liquidity for the Company. The following table analyzes non-derivative financial liabilities based on the earliest possible repayment date.

Items	December 31, 2018					Contractual cash flows
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years		
Short-term loans	\$ 1,070,000	\$ —	\$ —	\$ —	\$ 1,070,000	
Short-term notes and bills payable	—	—	—	—	—	
Notes payable	104,717	—	—	—	104,717	
Accounts payable	369,713	—	—	—	369,713	
Other accounts payable	82,956	—	—	—	82,956	
Payables on equipment	18,253	—	—	—	18,253	
Long-term loans (including due within one year or one operating cycle)	126,000	1,105,000	512,825	593,000	2,336,825	
Long term accounts/notes payable	—	267,220	—	—	267,220	

Items	December 31, 2017					Contractual cash flows
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years		
Short-term loans	706,435	—	\$ —	\$ —	706,435	
Short-term notes and bills payable	399,858	—	—	—	399,858	
Notes payable	105,919	—	—	—	105,919	
Accounts payable	311,256	—	—	—	311,256	

Other accounts payable	66,861	—	—	—	66,861
Payables on equipment	74,821	—	—	—	74,821
Long-term loans (including due within one year or one operating cycle)	—	1,010,000	—	—	1,010,000

(5) The cash flow risk of changes in interest rate:

Changes in the Group's cash flow risk primarily comes from floating rate bank loans. The Group's bank loans are based on a long-term floating rate. When interest rates rise, the Group negotiates to decrease interest rates or borrow short-term loans to manage its interest rate risk. Overall, the Group's cash flow risk from changes in interest rates is low.

(3) Financial instruments with off-balance sheet credit risk:

<1> The Company provide guarantee to subsidiaries and follow “Procedures for Making of Endorsements/Guarantees”. There is no pledge from subsidiaries because of credit situation is under controlled by the Company. The lose amount is same as guarantee amount if the subsidiaries can't follow the contract.

<2> Financial instruments with off-balance sheet credit risk

Item	December 31, 2018	December 31, 2017
Guarantee to subsidiaries	\$ 152,625	—

(4) Fair value estimation

<1> The book value and fair value of financial assets and Financial Liabilities of the Group is as follows.(It includes fair value level information, the book value of unfair value evaluation of financial instruments is closed fair value. Equity instruments investment of no offer price in active market and evaluation of fair value unreliably is not necessary to disclose fair value information)

December 31, 2018

Items	Book value	The fair value			Total
		The first level	The second level	The third level	
Financial assets:					
Amortised cost of a financial asset					
Cash and cash equivalents	164,717	\$ —	\$ —	\$ —	\$ —

Notes and accounts receivable	576,406	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	23,254	—	—	—	—
Refundable deposit	11,740	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	1,070,000	—	—	—	—
Short-term bills payable	—	—	—	—	—
Notes payable and payment	557,386	—	—	—	—
Equipment payment	18,253	—	—	—	—
Long-term liabilities due within a year	126,000	—	—	—	—
Long-term liabilities	2,210,825	—	—	—	—
Long term accounts payable	267,220	—	—	—	—
Guarantee deposit received	—	—	—	—	—

December 31, 2017

Items	Book value	The fair value			Total
		The first level	The second level	The third level	
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	277,548	\$ —	\$ —	\$ —	\$ —

Notes and accounts receivable	439,174	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	9,771	—	—	—	—
Refundable deposit	277,548	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	706,435	—	—	—	—
Short-term bills payable	399,858	—	—	—	—
Notes payable and payment	484,036	—	—	—	—
Equipment payment	74,821	—	—	—	—
Long-term liabilities due within a year	—	—	—	—	—
Long-term liabilities	1,010,000	—	—	—	—
Guarantee deposit received	—	—	—	—	—

<2> Fair value evaluation technique for financial instruments not measured at fair value.

The methods and assumptions adopted by the combined company to estimate financial instruments not measured at fair value are as follows:

If financial liabilities measured at amortized costs have transactions or quote data within market makers, then the most recent closing price and quote price data are the basis for assessment of fair value. If there is no market price as the reference, the evaluation method is then used for estimation. Estimates and assumptions reached through the evaluation method are discounted cash flows used to estimate the fair value.

<3> Fair value evaluation techniques for financial instruments measured at fair value

a. Non-derivative financial instruments

If financial instruments have open quotes in active markets, these quotes represent the fair value. The market prices of major exchanges and notes considered popular in over-the-counter market government bonds are all used as the basis of the fair value for the equity instruments

of listed companies and debt instruments with open quotes in active markets. If open quotes of financial instruments can regularly be obtained in a timely fashion from exchanges, brokers, underwriters, industry associations, pricing service institutions or competent authorities, and the prices actually and regularly foster fair market trading, then the financial instrument has open quotation in an active market. If the aforementioned conditions are not met, the market is considered not active. In General, wide bid/offer spread, significant increase of trading spreads, or slim trading volume are indicators of an inactive market.

The Group holds financial assets that have standard terms and conditions and are trading in active markets, such as shares from listed companies, mutual funds and bonds, their fair value is determined by market price quotes.

Fair value for other financial instruments other than the aforementioned financial instruments with active markets is obtained through evaluation techniques or quotes made by counterparties.

b. Derivative financial instruments

The Group currently has no derivatives financial instruments.

<4> Transfer between Class 1 and Class 2

There was no transfer in the year ending December 31, 2018 and 2017.

13. Disclosure items

(1) Significant transactions and (2) Business investments

1. Offer loans to others: As note I.
2. The endorsement for others: As note II.
3. Final marketable securities: none.
4. Accumulated to buy or sell the same marketable securities amount to NT \$300 million or more than 20% of the paid-up capital: none
5. Real estate amounting to NT \$300 million or more than 20% of the paid-up capital: none.
6. Disposal real estate amounting to NT \$300 million or more than 20% of the paid-up capital: none.
7. Purchase and sale with related parties amounting to NT \$100 million or more than 20% of the paid-up capital: As note III.
8. Receivables from related parties amounting to NT \$100 million or more than 20% of the paid-up capital: none.
9. Engaging in derivatives transactions: none.
10. Others: Business relations between parent company and subsidiaries, important dealing conditions and amounts: As note IV.

11. Investee company name/location related information: As note V.

(3) Investment information in China:

1. China investee company name, business items, amount of paid-up capital, investment methods, capital transaction conditions, shareholding ratio, investment gains and losses, final investment book value, investment income repatriation and China investment limits: As note VI.
2. Significant transactions with China investee company through direct or indirect third regions and their prices, terms of payment, unrealized gains and losses:
 - (1) Purchase amount percentage and the final balance percentage of payment: As note III.
 - (2) Sales amount percentage and the final balance percentage of receivables: none.
 - (3) Property transaction amount and the amount of profits and losses: none.
 - (4) The note endorsement guarantee or collateral providing balance and purpose: none.
 - (5) The highest of the financing balance, ending balance, interest rate range and total amount of current interests: none
 - (6) Other statement or financial condition that has a significant impact on transactions, such as providing or receiving services: none

NAN LIU Enterprise Co., Ltd. and Subsidiary
 Financings Provided
 For the year ending on December 31, 2018

Note I

Unit: Thousand NT\$

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account (Note2)	Related party	Maximum Balance for the period (Note3)	Ending Balance (Note8)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note4)	Transaction Amount (Note5)	Reason for Financing (Note6)	Allowance for Bad Debt	Collateral		Financing Limits for each borrowing company (Note7)	Financing Company's total Financing amount Limits (Note7)	remarks
													Item	Value			
1	NANLIU ENTERPRISE(SAMOA) CO., LTD.	Nan liu Enterprise Co., Ltd	Receivables from related parties	Yes	\$ 267, 220	\$ 267, 220	\$ 267, 220	3.5%	The need for financing	\$ -	Repayment of loans	\$ -	-	\$ -	\$ -	NTD 1, 226, 401 The Company's Equity NTD 3, 066, 003×40%= 1, 226, 401	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) Enter '0' for the Issuer.

(2) The investees are numbered in serial order starting from '1'.

Note 2: Financing provided need to fill the field, including of related parties receivables, stockholders' current account, prepayments, temporary payments and so on.

Note 3: Maximum Balance for the ending of current year.

Note 4: The financing activities include trading partner and short term financing.

Note 5: It need to fill transaction amount if the financing activities is trading partner. The transaction amount is the transaction amount for the nearest year between financing company and counter party.

Note 6: It need to describe reason for financing and counter party if it's short term loan. For example, repayment of loans, payment for equipment, working capital and so on.

Note 7: It should fill Financing Limits for each borrowing company and total Financing amount Limits and follow the Company's "Procedures for Loaning of Funds". It's necessary to describe calculation method in remark field

Note 8: Public Companies follow item 1 Article 14 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies". Each financing provided need to be approved by board of directors and announce the amount, risk even the Financing Company doesn't borrow money to the counter party. It need to announce the amount after repay. It need to announce the highest lending limit for announcement application amount even the board of directors approved the loan can borrow several times during one year or roll over.

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES
PROVIDED

For the year ending on December 31, 2018

Note II

Unit: Thousand NT\$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement /Guarantee for the Period	Ending Balance of Endorsement/ Guarantee	Amount Actually Drawn	Amount of Endorsement /Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	Directly possesses more than 50% shares of common stock of the subsidiary	\$ 6,132,006	\$ 152,625	\$ 152,625	\$ —	\$ —	4.98%	\$ 6,132,006	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) Enter '0' for the Issuer.

(2) The investees are numbered in serial order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):

(1) Companies with business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.

(5) Companies which guarantee each other according to contract based on contractor relationship.

(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

NAN LIU Enterprise Co., Ltd. and Subsidiary
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the year ending on December 31, 2018

Note III

Unit: Thousand NT\$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchase s/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	Indirect subsidiary	Purchase	\$ 1,222,167	52.17%	With the same general terms and conditions	—	—	\$ (248,670)	52.41%	—

Note 1: If related party transaction terms are different from general terms, situations and reasons for the differences should be specified in the unit price and credit period columns.

Note 2: In case of advance payment (prepayment), reasons, terms of the contract agreement, amount and differences from the general situation shall be specified in the note column.

Note 3: Paid-in capital refers to the parent company's paid-in capital. When the issuer's shares have no denomination, or its denomination is not NT \$10, regarding a maximum transaction amount on 20% of paid-in capital, the amount is calculated based on 10% of ownership's equity attributable to the parent company in the balance sheet.

NAN LIU Enterprise Co., Ltd. and Subsidiary
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 For the year ending on December 31, 2018

Note IV

Unit: Thousand NT\$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	\$ 1,222,167	The same as other companies	38.80%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	\$ 248,670		The same as other companies

Note 1: Business operating information between the parent company and subsidiary shall be indicated in the column number and number shall be filled in as follows:

1. The parent company fills out 0.
2. The subsidiary company starting from the Arabic number 1 in the sequence.

Note 2: There are three types of relations with dealers. They are marked as follows:

1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to subsidiary.

Note 3: In employing the ratio of trading conditions for combined revenue or assets, if it belongs as an asset liability item, the balance calculation includes the consolidated total assets. If it belongs as a profit and loss item, the balance is calculated considering the interim cumulative amount in total.

Note 4: Whether important transactions are listed in table shall be decided by the company according to the major principles.

NAN LIU Enterprise Co., Ltd. and Subsidiary
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 For the year ending on December 31, 2018

Note V

Unit: Thousand NT\$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of December 31,2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2018	December 31, 2017	Shares	Percentage	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	\$ 1,643,224	\$ 1,488,208	52,948	100.00%	\$ 3,610,994	\$ 417,935	\$ 417,935	
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	India	Manufacturing and processing of nonwovens fabric	\$ 153,774	\$ 48	34,570	100.00%	\$ 141,874	Note3	Note3	

Note 1: If a public company has a foreign holding company and considers consolidated financial statements as its primary financial statements in accordance with local laws and regulations, for information on foreign investee companies, the company may only disclose relevant information at the holding company level.

Note 2: For situations not specified in Note 1, please complete according to the following rules:

(1) "Investee company name", "Area", "Main Business", "The original investment amount" and "Ending shareholding situation", etc., should be filled in according to the Company's (public) reinvestment situation and reinvestment of directly or indirectly controlled Investment. The relationship (if they are subsidiaries or subsidiaries of subsidiaries) between investee companies and the Company (public) should be specified in Note column.

(2) In the "Investee company's current profit and loss" B column, the investee company's profit and loss for the period should be entered.

(3) In the "Investment gains and losses recognized for the period" B column, only the gains and losses of subsidiaries and investee companies with the equity method recognized by the Company (public) must be indicated here, and others may not be included. When filling in "gains and losses of subsidiaries recognized for the period", the Company should ensure that profits or losses of subsidiaries for the period already include the gains and losses of reinvestment recognized in accordance with rules.

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
For the year ending on December 31, 2018

Note VI

Unit: Thousand NT\$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	\$ 1,846,701	2	\$ 1,487,607	\$ —	\$ —	\$ 1,487,607	\$ 499,535	100.00%	\$ 499,535	\$ 3,201,605	\$ —	
Accumulated Investment in Mainland China as of December 31, 2018		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment by Investment Commission, MOEA									
\$ 1,487,607		\$ 1,877,537		\$ —									

Note 1: Investments are divided into the following three categories (Please enter the category number):

- (1) Direct investment in mainland China.
- (2) Investments in mainland China through companies in the third region (please specify the investment company in the third region).
- (3) Other methods

Note 2: Investment gains and losses recognized in the current period column:

- (1) In case of preparation, it should be specified if there is no investment income.
- (2) The recognition basis of investment gains and losses is divided into the following three categories and should be specified:
 - (a) Certified financial statements audited by CPA firms in the Republic of China that have partnership with international CPA firms.
 - (b) Financial statements audited by the CPA firm of Taiwan's parent company.
 - (c) Others.

Note 3: The amounts in this table should be shown in New Taiwan Dollars.

Nan Liu Enterprise Co., Ltd.
THE CONTENTS OF STATEMENTS OF MAJOR
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Nan Liu Enterprise Co., Ltd.
Statement of cash and cash equivalents
December 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 1

Item	Description	Amount
Cash	Cash on hand	\$ 962
Cash in banks		
Demand deposits		57,694
Checking accounts		269
Foreign currency deposits	(USD 3,162 thousand, @30.717)	97,126
	(RMB 22 thousand, @4.591)	101
	(EUR 13 thousand, @35.077)	456
	(JPY 119 thousand, @0.2773)	33
Time deposits		7,602
Subtotal		163,281
Total		\$ 164,717

Nan Liu Enterprise Co., Ltd.
Statement of accounts receivable
December 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 2

Item	Description	Amount
Non related parties :		
Company A	Receivables from transactions	\$ 29,691
Company B	Receivables from transactions	24,032
Company C	Receivables from transactions	64,001
Company D	Receivables from transactions	29,013
Company E	Receivables from transactions	35,272
Company F	Receivables from transactions	62,255
Others(Note)	Receivables from transactions	<u>275,715</u>
Subtotal :		<u>519,979</u>
Related parties :		
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions	307
Subtotal :		<u>307</u>
Total		520, 286
Less: Allowance for doubtful accounts		(6, 531)
Accounts receivable, net		<u>\$ 513, 755</u>

Note: The balance amount of each customers all are less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.
Statement of inventories
December 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 3

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials	Viscose fiber and so on	\$ 205,951	\$ 197,286
Supplies	shrink film and so on	27,043	25,099
Work in process	facial mask bag and so on	2,526	4,612
Finished goods	Spunlace fabrics and so on	113,922	167,406
Merchandise	Nonwovens	2,546	2,022
Raw materials and supplies in transit		27,396	27,396
Total		379,384	423,821
Less: allowance for price decline of inventories		(20,218)	—
Net inventories		\$ (11,468)	\$ 423,821

Note :

1. Inventories shall be measured at the lower of cost and net realizable value item by item.
2. The amount of after write-down of raw materials and supplies used for manufacturing shall not be less than cost when net realizable value of finished goods is more than cost.
3. The net realizable value of raw materials and supplies in transit is replacement cost.

Nan Liu Enterprise Co., Ltd.
Statement of changes in investments accounted for using equity method
December 31, 2018
(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

STATEMENT 4

Name	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018			Market Value or Net Assets Value			Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price	Total Amount	Valuation	
NANLIU ENTERPRISE(SAMOA)CO., LTD.	47,748	\$3,120,375	5,200	\$ 576,629	-	\$ (86,010)	52,948	100%	\$ 3,610,994	68.41	\$ 3,622,391	Equity method	None
Total		<u>\$3,120,375</u>		<u>\$ 576,629</u>		<u>\$(86,010)</u>			<u>\$ 3,610,994</u>		<u>\$ 3,622,391</u>		

Note1 : Additions in the period included investments 155,016thousand, recognition of invested profit 417,935 thousand, realized gross profit of downstream transactions 373 thousand, realized gross profit of upstream transactions 160 thousand, realized assets profit of downstream transactions 3,145 thousand. Decreases in the period included of unrealized gross profit of downstream transactions 7,229 thousand, unrealized gross profit of upstream transactions 7,005 thousand, tax effects of realized assets profit of downstream transactions 40 thousand, foreign exchange differences 71,736 thousand.

Note2 : As of December 31, 2017, cost of investments accounted for using equity method and valuation for using equity method is as following:

Investees	Cost	Valuation for using equity method	Adjustments from unrealized Profits (losses) of Upstream(downstream) transactions	Others	Total
NANLIU ENTERPRISE(SAMOA)CO., LTD.	\$ 1,643,224	\$2,244,104	\$ (11,397)	\$ (264,937)	\$ 3,610,994
Total	<u>\$ 1,643,224</u>	<u>\$2,244,104</u>	<u>\$ (11,397)</u>	<u>\$ (264,937)</u>	<u>\$ 3,610,994</u>

Nan Liu Enterprise Co., Ltd.
Statement of changes in property, plant and equipment
December 31, 2018
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 5

Please refer to note 6(6).

Statement of short-term loans
December 31, 2018
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 6

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral
Clear loans					
Citi bank	\$ 200,000	2018/12/26~2019/01/11	0.770%	USD7,000	—
Bank SinoPac	410,000	2018/10/26~2019/03/22	0.900%	NTD 600,000	—
HSBC Bank	460,000	2018/08/13~2019/06/25	0.850%	USD 15,000	—
Total	<u>\$ 1,070,000</u>				

Statement of short-term bills payable , net
December 31, 2017

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 7

Item	Description	Amount
Non related parties :		
Company A	Receivables from transactions	\$ 14,085
Company B	Receivables from transactions	16,308
Company E	Receivables from transactions	23,386
Others(Note)	Receivables from transactions	<u>67,264</u>
Subtotal :		<u>121,043</u>
Related parties :		
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions	<u>248,670</u>
Subtotal :		<u>248,670</u>
Total		<u>369, 713</u>

Note: The balance amount of each customers all are less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.
Statement of long-term loans
December 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 8

Bank	Description	Balance, End of Year	Contract Period	Interest Rates (%)	Collateral	Note
First Bank	Unsecured loans	\$150,000	2017/04/05-2020/04/11	1.150%	—	—
The Export-Import Bank of the Republic of China	Unsecured loans	62,000	2018/09/26-2025/09/26	1.050%	—	—
CTBC Bank	Unsecured loans	657,000	2018/01/25-2025/01/24	1.120%	—	—
Bank SinoPac	Unsecured loans	180,000	2018/09/26-2020/11/07	1.100%	—	—
E.SUN Bank	Unsecured loans	275,000	2017/02/13-2021/09/18	1.120%	—	—
KGI Bank	Unsecured loans	390,000	2018/01/03-2020/09/18	1.130%	—	—
Mega Bank	Unsecured loans	137,886	2018/09/26-2022/09/26	1.120%	—	—
Mega Bank	secured loans	374,939	2018/09/26-2022/09/26	1.120%	—	Note
HSBC Bank	Unsecured loans	10,000	2018/12/25-2020/02/21	1.100%	—	—
Hua Nan Bank	Unsecured loans	100,000	2018/11/07-2020/10/17	1.100%	—	—
Total		<u>\$2,336,825</u>				

Note: The machines of secured loan is installing. The lending bank will have the first priority ranking mortgage.

Nan Liu Enterprise Co., Ltd.

Statement of net revenue

FOR THE YEAR ENDED DECEMBER 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 9

Item	Quantities	Amount	Total
Sales revenue			
Air Through & Thermal Bond Nonwoven Fabrics	5,381,952.42 KG	\$ 651,144	
Spunlance Nonwoven fabrics	12,178,399.93 KG	1,175,547	
Disposable Surgical gowns Fabrics	3,024,485.60 KG	436,896	
Wet wipes & Cosmetics	28,955,779.00 BAG	886,480	
	130,741.00 CAN		
	418.04 ROL		
	22,177,728.00 CS		
	4,368,364.00 PCS		
	4,296.00 SE02		
	21,653.19 KG		
Subtotal		\$ 3,150,067	
Sales revenue, net			\$ 3,150,067

Nan Liu Enterprise Co., Ltd.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 10

Items	Amount
Merchandise, beginning of year	\$ 1,951
Merchandise purchased	1,111,096
Less: Merchandise, end of year	(2,546)
Less: charges on purchased Merchandise	(710)
Less: scrapped Merchandise	(279)
Cost of Merchandise sold	1,109,512
Raw materials, beginning of year	139,561
Add: raw materials purchased	971,898
Add: profit on raw materials	109
Add: others of raw materials	2,388
Less: raw materials, end of year	(205,951)
Less: others of raw materials	(3,661)
Less: loss on raw materials	(17)
Less: scrapped Merchandise	(1,041)
Less: raw materials sold	(186)
Raw materials consumed	903,100
Supplies, beginning of year	44,497
Add: supplies purchased	151,498
Add: profit on supplies	43
Less: supplies, end of year	(27,043)
Less: loss on supplies	(110)
Less: scrapped supplies	(6,987)
Less: supplies sold	(4,055)
Less: others of supplies	(9,471)
Supplies consumed	148,372
Direct labor	101,813
Manufacturing overheads(STATEMENT 13)	333,089
Manufacturing costs	1,486,374

(Continued)

Nan Liu Enterprise Co., Ltd.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2017

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 12

	(Previous)
Add : Work in process, beginning of year(including semi-finished goods)	9,562
Add: work in process received	2,348
Add: profit on work in process	15
Add: others of work in process	1,647
Less: Work in process, end of year (including semi-finished goods)	(2,526)
Less: charges on work in process	(40)
Less: scrapped on work in process	(1,827)
Less: Loss on disposal of work in process	(2)
Less: work in process sold	(1,329)
Cost of finished goods	1,494,222
Add: finished goods, beginning of year	117,392
Add: finished goods received	106,044
Add: profit on finished goods	48
Add: others of finished goods	626,261
Less: finished goods, end of year	(113,922)
Less: charges on finished goods	(7,300)
Less: scrapped finished goods	(5,553)
Less: loss on finished goods	(687)
Less: goods sold	(870)
Less: others of finished goods	(627,710)
Cost of production and marketing	1,587,925
Cost of raw materials and semi-finished goods Sold	6,440
(Profit)loss on inventories	601
scrapped inventories	15,687
scrapped lost subsidy or sold	(9,407)
Idle cost	8,171
Reduce inventory to market	8,750
Revenue from sale of scrap and wastes	(6,250)
Cost of goods sold	\$ 2,721,429

Nan Liu Enterprise Co., Ltd.
Statement of production overheads
FOR THE YEAR ENDED DECEMBER 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 11

Item	Description	Amount
Indirect labor	manufacturing overheads	\$ 18,740
Rent expenses	manufacturing overheads	10,978
Repairs and maintenance expenses	manufacturing overheads	33,514
Utility expenses	manufacturing overheads	60,206
Depreciation expenses	manufacturing overheads	52,284
Fuel expenses	manufacturing overheads	37,206
Others(note)	manufacturing overheads	128,332
Idle cost	manufacturing overheads	(8,171)
Total		\$ 333,089

Note : Amount of each item is less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.
Statement of Operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 12

Item	Promotion expenses	Management expenses	Research expenses	Amount
Payroll expenses	\$ 8,976	\$ 46,097	\$ 8,877	\$ 63,950
Rent expenses	-	9,752	-	9,752
Shipping expenses	14,324	6	21	14,351
Advertisement expenses	8,562	55	-	8,617
Entertainment expenses	1,177	10,664	46	11,887
Donation expenses	-	9,418	-	9,418
Depreciation expenses	190	3,220	30	3,440
Commission expenses	7,291	-	-	7,291
Export expenses	20,977	-	-	20,977
Professional service fee	575	4,586	1,419	6,580
Others(note)	5,416	25,921	10,427	41,764
Total	<u>\$ 67,488</u>	<u>\$ 109,719</u>	<u>\$ 20,820</u>	<u>\$ 198,027</u>

Note: Amount of each item is less than 5% of the account amount.

Statement of labor, depreciation and amortization by function
FOR THE YEAR ENDED DECEMBER 31, 2018
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 13

Please refer to Note 6(15).